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**Issue:** Overview of Transaction  
**Witness:** Suzanne Sitherwood  
**Type of Exhibit:** Direct Testimony  
**Sponsoring Party:** The Laclede Group, Inc., Laclede  
Gas Company  
**Case No.:** GM-2013-0254  
**Date Prepared:** January 14, 2013

**THE LACLEDE GROUP, INC.**

**LACLEDE GAS COMPANY**

**GM-2013-0254**

**DIRECT TESTIMONY**

**OF**

**SUZANNE SITHERWOOD**

**JANUARY 14, 2013**

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**DIRECT TESTIMONY OF SUZANNE SITHERWOOD**

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Q. Please state your name and business address.

A. My name is Suzanne Sitherwood, and my business address is 720 Olive Street, St. Louis, Missouri, 63101.

Q. By whom are you employed and in what capacity?

A. I am employed by The Laclede Group, Inc. (“LG” or “Company”) in the position of President and Chief Executive Officer. LG is one of the joint applicants in this proceeding and is the parent corporation of Laclede Gas Company (“Laclede Gas”).

Q. How long have you been with LG?

A. I joined LG on September 1, 2011, as President of the Company. With the retirement of Douglas Yaeger, I also assumed the position of Chief Executive Officer of LG on February 1, 2012.

Q. Where were you employed prior to joining LG?

A. Prior to joining LG, I worked for either Atlanta Gas Light or AGL Resources for 31 years. I joined Atlanta Gas Light right out of college, doing work as a co-op student in the cathodic protection group. During my first 20 years at Atlanta Gas Light, I had the opportunity to serve in a wide variety of roles, including vice president of engineering, environment and construction; chief engineer; director of competition planning; director of rates and regulatory affairs and director of residential markets. In June 2002, I was appointed to the position of vice president of gas operations and capacity planning at AGL Resources. In that capacity, I directed the natural gas distribution infrastructure, gas control, gas measurement, marketer relations, customer-related services, interstate pipeline relationships, asset management and management of storage facilities. In 2004,

1 I was appointed president of Atlanta Gas Light, Chattanooga Gas and Florida City Gas,  
2 which are natural gas utility subsidiaries of AGL Resources. In total, these subsidiaries  
3 serve more than 1.6 million customers.

4 Q. What is your educational background?

5 A I graduated from Southern College of Technology in 1983 with a BS in Industrial  
6 Engineering Technology. I earned a Master's Degree in Business Administration from  
7 Brenau University in 1997.

8 Q. Have you testified in other regulatory proceedings?

9 A. Yes. As part of my responsibilities with my prior employer, I had an opportunity to  
10 submit testimony in a number of regulatory proceedings on a wide variety of regulatory  
11 issues. I also submitted pre-filed testimony in support of general rate case filing made  
12 by Laclede Gas in December of last year.

13 **PURPOSE OF TESTIMONY**

14 Q. What is the purpose of your direct testimony in this case?

15 A. The purpose of my direct testimony is to provide an overview of LG's proposed  
16 acquisition, through Laclede Gas, of the assets of Missouri Gas Energy ("MGE") from  
17 Southern Union Company ("SUG"), a wholly-owned subsidiary of ETP Holdco  
18 Corporation, which is owned 60% by Energy Transfer Equity L.P. ("ETE") and 40% by  
19 Energy Transfer Partners, L.P. ("ETP"), (collectively "Energy Transfer.") I will also  
20 explain why I believe the proposed acquisition fully satisfies the standard employed by  
21 the Commission for approving such transactions. In a separate transaction, LG has also  
22 agreed to purchase New England Gas Company ("NEG").

1 Q. Are there other witnesses addressing the proposed acquisition and its impact on behalf of  
2 LG and Laclede Gas?

3 A. Yes. Mark Waltermire, LG's Executive Vice President and Chief Financial Officer will  
4 address the financial aspects of the proposed acquisition while Steven Lindsey, LG's  
5 Executive Vice President for Distribution Operations and President of Laclede Gas  
6 Company will discuss the operational aspects of the transaction.

7 **ORIGINS AND NATURE OF THE PROPOSED TRANSACTION**

8 Q. What prompted LG to enter into an agreement to purchase the assets of MGE and NEG?

9 A. Over the past year, we have made it very clear to the investment community, regulators  
10 and our customers that LG is pursuing a strategy of sensible growth. This strategy has  
11 been motivated by a number of considerations. These include, among others, a desire to  
12 advance the Company's long-term financial strength and capabilities, to enhance the  
13 value our customers receive on a daily basis from their utility service through economies  
14 of scale and technology sharing, and to provide our employees with a larger platform on  
15 which to further develop and apply their already considerable skills and expertise. At the  
16 same time, we were equally committed to ensuring that any acquisition would be  
17 undertaken in a prudent and thoughtful manner that recognized and built upon our  
18 existing strengths.

19 Q. Does the acquisition of MGE and NEG align with these strategic considerations?

20 A. Yes, almost uniquely so. Both MGE and NEG are natural gas distribution companies  
21 that engage in the same kind of operational activities that LG's primary subsidiary,  
22 Laclede Gas, has been performing for over a century and a half. As a result, in deciding  
23 to move forward with this acquisition, we knew that we would be acquiring businesses

1 that we thoroughly understood and that we had the institutional experience, talent and  
2 expertise to operate successfully. Moreover, because of MGE's geographic proximity  
3 and its status as a regulated Missouri utility, we had an especially thorough understanding  
4 of, and appreciation for, MGE's personnel, internal operating characteristics, and external  
5 regulatory and business environment. In short, we perceived and continue to view this  
6 acquisition as a truly ideal fit for a sensible growth strategy that is focused on generating  
7 long-term benefits for all stakeholders.

8 Q. Please describe the basic terms of the acquisition.

9 A. With the acquisition of MGE and NEG, LG would nearly double the number of natural  
10 gas customers it currently serves through its subsidiaries. Specifically, the acquisition  
11 would add approximately 500,000 MGE customers and 54,000 NEG customers to  
12 Laclede Gas' current customer base of approximately 630,000 residential, commercial  
13 and industrial customers. The acquisition has an overall value of \$1.035 billion and  
14 would be financed initially with internal cash and a fully committed bridge loan of  
15 \$1.020 billion with Wells Fargo Bank, N.A.

16 Q. Would the bridge loan be replaced with permanent financing?

17 A. Yes. At or close to closing, LG would anticipate financing the acquisition through a  
18 combination of stock and debt issuances. Because a significant portion of the debt is  
19 anticipated to be in the form of first mortgage bonds issued by the newly combined  
20 utility, we have requested in our application that the Commission grant any financing  
21 approvals that may be required.

22 Q. How would LG and the utilities be structured upon completion of the transaction?

1 A. MGE and Laclede Gas would be combined into a single utility subsidiary of LG with two  
2 divisions, one comprised of the current service territory and operations of MGE and the  
3 other of the current service territory and operations of Laclede Gas. For the time being, it  
4 is anticipated that both divisions would continue to operate under their current names in  
5 their respective service territories. NEG would become and remain a separate subsidiary  
6 of LG.

7 Q. Would the rates, charges, tariffs and other terms of service currently applicable to MGE  
8 and Laclede Gas remain separate?

9 A. Yes. While we strongly believe that the proposed transaction will provide long-term  
10 benefits to both operating divisions, we anticipate that both divisions would continue to  
11 operate under their own rates, charges, tariffs and other terms of service for the  
12 foreseeable future, until and unless modified by the Commission through the normal  
13 workings of the regulatory process.

14 **WHY THE ACQUISITION FULLY SATISFIES**  
15 **THE STANDARD FOR COMMISSION APPROVAL**  
16

17 Q. What is your understanding of the standard that governs Commission approval of an  
18 acquisition of this nature?

19 A. I have been advised by legal counsel that the Commission must approve an acquisition of  
20 the kind proposed in this proceeding as long as the transaction is not detrimental to the  
21 public interest.

22 Q. Does the proposed transaction satisfy this standard?

23 A. Yes, I can say without reservation that it does.

24 Q. Please explain why approving the transaction would not be detrimental to the public  
25 interest.

1 A. Far from being detrimental, approval of the proposed transaction would affirmatively  
2 promote the public interest, including the interests of utility customers, for a number of  
3 operational and financial reasons. From an operational standpoint, it is important to note  
4 at the outset that LG and Laclede Gas are enthusiastically committed to being in the  
5 business of owning and operating local distribution facilities. It is where we want to  
6 focus our resources both now and in the future. In contrast, Energy Transfer and SUG  
7 are focused on developing other lines of business and are seeking to exit the relatively  
8 small LDC segment of their existing operations. There is absolutely nothing  
9 inappropriate in the strategic direction that Energy Transfer and SUG have chosen to  
10 take, but shifting ownership of these utilities to an entity that is strategically and fully  
11 invested in operating them for the long term is unquestionably in the public interest. Just  
12 as significant as our commitment to the LDC business is our long and successful track  
13 record of operating such businesses successfully. As I said before, we have been  
14 distributing gas for more than a century and a half in Missouri and the Commission has  
15 had nearly a hundred years to assess our abilities in that regard. This long history of  
16 successful performance in the LDC business should weigh heavily in favor of a  
17 determination that approval of the transaction would not be detrimental to our customers  
18 or the public generally. A third factor that supports such a finding is our demonstrated  
19 willingness to make the investments necessary to ensure that our utility customers  
20 continue to receive safe, reliable and high quality services. As discussed by Laclede  
21 witness Steven Lindsey, our accelerated cast iron main replacement program and our  
22 investment in a new enterprise-wide information management system are just two  
23 examples of our commitment to making such investments in the utility business.

1 Q. You also stated that approval of the acquisition would not be financially detrimental.  
2 Please explain why.

3 A. As discussed by LG witness Mark Waltermire, combining these operations will create  
4 additional opportunities to provide our customers with more cost-effective utility service  
5 over the long-term. It will do so in a number ways, including by allowing us to spread  
6 the costs associated with providing shared corporate support services and technology  
7 over a greater volume of business and by permitting the kind of intense and unfettered  
8 exchange of best practice from each business unit that ultimately contributes to greater  
9 efficiency. Each of these factors should permit us to “bend down” the inclining cost  
10 curve that has characterized the operations of each of the utilities involved in this  
11 transaction for literally decades. The greater size of the resulting enterprise will also  
12 enhance our ability to attract capital on more favorable terms over the longer run. And  
13 even in the shorter term, customers will begin receiving the benefit of the extraordinarily  
14 favorable conditions in the capital markets that, assuming timely approval of the  
15 transaction, will enable us to reduce the overall cost of capital that customers must  
16 support in their rates for utility service.

17 Q. Are there any other factors that support a determination that approval of the transaction  
18 will not be detrimental to the public interest?

19 A. One additional, albeit unquantifiable, factor is the benefit of having a single institution  
20 that is deeply invested in the communities it serves operating on both sides of the State,  
21 including within Missouri’s two largest metropolitan areas. Unlike many other  
22 businesses, utilities have an obligation to serve everyone in their service territories.  
23 Moreover, by their very nature, they are inextricably tied to the communities they serve.

1 Other businesses may come and go, but a public utility cannot pull up its service lines,  
2 mains and other infrastructure and simply move to another area where the business  
3 climate may be more favorable. That's one of the chief reasons why many utilities,  
4 including Laclede Gas, place such a high value on sponsoring and participating in  
5 activities designed to improve the social and economic fabric of the communities they  
6 serve. Whether it is volunteering at a local food bank, being a leader in raising funds for  
7 United Way, supporting community groups that help low-income customers maintain  
8 essential services, or trying to promote economic development at the state and local level,  
9 utilities and their employees are often at the forefront in supporting such efforts. Given  
10 this historical focus on community involvement, having the ability to operate on both  
11 sides of the State will also create additional opportunities to identify, promote and adopt  
12 best practices in the programs and initiatives that are designed to strengthen the  
13 communities in which our customers and employees live and work. Perhaps most  
14 importantly, it will allow the Company to approach such matters from a less parochial  
15 and more statewide perspective; a broader view that those in the business of promoting  
16 economic development in Missouri have told me is critical if Missouri is to compete  
17 effectively on a national and international basis. All of these considerations point to a  
18 transaction that will affirmatively promote rather than in any way harm the public  
19 interest.

20 **ACCEPTANCE OF CONDITIONS**  
21 **DESIGNED TO ENSURE NO DETRIMENT**  
22

23 Q. Although your testimony explains why the transaction will not be detrimental to the  
24 public interest, is LG and Laclede Gas asking the Commission to accept those assurances

1 without any additional measures to ensure that such an outcome will, in fact, be  
2 achieved?

3 A. Not at all. As we fashioned the terms of our bid and reached the decision to move  
4 forward with our purchase of MGE and NEG, we were fully aware of the conditions that  
5 this Commission had recently approved in connection with other acquisition proceedings,  
6 including Energy Transfer's own acquisition of SUG and its MGE operations. While we  
7 believe the transaction satisfies the no detriment standard on its own merits, particularly  
8 in view of Laclede's long experience in the utility business in Missouri, we nevertheless  
9 assumed that the Commission might be inclined to continue some or all of these  
10 conditions as a prerequisite for approving this transaction. As a result, and in an effort to  
11 be proactive in addressing potential concerns, we used these conditions as a "blueprint"  
12 for developing the kind of regulatory assurances and added protections that we thought  
13 the Commission might require to approve this transaction and find that it is in the public  
14 interest.

15 Q. Does that mean LG and Laclede Gas are willing to follow this blueprint and accept these  
16 conditions in order to obtain Commission approval of the transaction?

17 A. Yes. Although a few of the conditions would clearly terminate by their own terms upon  
18 the sale of MGE to another entity, we are willing to accept and comply with those  
19 conditions as more fully described in Steven Lindsey's, Mark Waltermire's and MGE  
20 witness Rob Hack's testimony.

21 Q. Does this include those customer service conditions relating to maintaining customer call  
22 center performance metrics, responding to customer complaints and other customer-  
23 oriented service and reporting requirements?

1 A. Yes, as discussed in the direct testimony of Laclede witness Steven Lindsey, we are  
2 willing to comply with all of these customer service-oriented conditions.

3 Q. Does it also include those conditions relating to protecting the financial integrity and  
4 capabilities of the surviving utility operations and protecting customers from any adverse  
5 rate impacts?

6 A. Yes, as explained in the direct testimony of Laclede witness Mark Waltermire, we are  
7 also willing to comply with all of these financial and rate-related conditions.

8 Q. Finally, does this commitment include accepting the condition relating to not seeking  
9 either direct or indirect recovery of the acquisition premium or transaction costs?

10 A. Yes. We are willing to accept the exclusion of all acquisition premium and transaction  
11 costs from rates based on our understanding that changes in other costs and revenues  
12 between rate cases would continue to be accorded traditional ratemaking treatment.

13 Q. Does the willingness of LG and Laclede Gas to accept these conditions warrant  
14 expeditious approval of the transaction under consideration in this proceeding?

15 A. I certainly believe it is a critical consideration that should weigh heavily in favor of such  
16 treatment by the Commission, particularly when combined with our long history of  
17 successful operation as a regulated public utility in this State and the other factors which  
18 strongly support a determination that the transaction will promote rather than harm the  
19 public interest. For all of these reasons, we respectfully request that the Commission  
20 approve this transaction on as expeditious basis as possible.

21 Q. Does this conclude your direct testimony?

22 A. Yes, it does.

23